United States Court of Appeals for the Second Circuit



BRIEF FOR APPELLEE

76-7177

United States Court of Appeals

FOR THE SECOND CIRCUIT

RAYMOND ROHAUER and CECIL W. HULL,

Plaintiffs-Appellees,

against

KILLIAM SHOWS, INC., PAUL KILLIAM, EDUCATIONAL BROADCASTING CORPORATION, and THE BOWERY SAVINGS BANK,

Defendants,

KILLIAM SHOWS, INC., EDUCATIONAL BROADCASTING CORPORATION,

Defendants-Appellants.

BRIEF FOR APPELLEES

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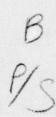


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-against-

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Defendants,

KILLIAM SHOWS, INC., EDUCATIONAL BROADCASTING CORPORATION,

Defendants-Appellants.

BRIEF FOR APPELLEES

STATEMENT OF ISSUES PRESENTED

The principal question of law raised by this appeal is whether the exhibition by means of television of the separately copyrighted motion picture "The Son of the Sheik" (herein the "motion picture") which was based on the book "The Sons of the

Sheik" (herein the "book") written by Edith M. Hull and originally licensed by her to be used for that purpose, infringes the renewal copyright in that book, where the author died prior to the accrual of the renewal term and the renewal copyright was taken out by and in the name of Cecil W. Hull, the author's sole surviving child who thereafter assigned to Raymond Rohauer (herein "Rohauer") the exclusive world-wide motion picture and television rights under the renewal copyright in the book. Incidentally involved are the questions of whether a pleaded defense of "unclean hands" was properly held to be without merit and whether a posttrial motion for dismissal of the action on res judicata grounds was properly denied. Therefore, the three issues presented by this appeal are the following:

- I. Did the District Court properly determine that the television exhibitions of the derivative motion picture infringed the renewal copyright in the book on which it had been based?
- II. Did the District Court properly hold the defense of unclean hands to be without merit?
- III. Did the District Court properly deny the post-trial motion for dismissal made on res judicata grounds?

STATEMENT OF THE CASE

This is an appeal by defendants Killiam Shows, Inc. (herein "Killiam") and Educational Broadcasting Corporation (herein "Broadcasting") from an interlocutory judgment of the

United States District Court for the Southern District of New York dated August 15, 1974 (Bauman, D.J.) and from a final judgment dated February 26, 1976 (Pierce, D.J.) which incorporated the interlocutory judgment by reference. The interlocutory judgment permanently restrained Killiam and Broadcasting (herein jointly called "appellants") from distributing, exhibiting and exploiting in the United States the motion picture entitled "The Son of the Sheik" (herein the "motion picture") without the consent of plaintiff, Cecil W. Hull (herein "Hull"), the owner of the renewal copyright in the book "The Sons of the Sheik" (herein the "book") on which the motion picture had been based, or of Raymond Rohauer (herein "Rohauer" and, jointly with Hull, herein called "appellees"), the assignee of the exclusive world-wide motion picture and television rights under the renewal copyright in the book. The final judgment awarded Rohauer the aggregate sum of \$2,250 by way of statutory damages for three infringing performances of the motion picture which had taken place by means of television on July 12, 1971 and October 11 and 16, 1971.

The decision of District Judge Bauman, on the basis of which the interlocutory judgment was entered, is reported at 379 F. Supp. 723 (S.D.N.Y. 1974) and is reproduced at pages Al31 through Al57 of the Joint Appendix. The final judgment made by

^{1.} As used in this Brief, figures preceded by the letter "A" refer to pages of the Joint Appendix; figures preceded by the letters "Br." refer to pages of Appellants' Brief; and figures preceded by the designation "Am. Br." refer to pages of the <u>amicus</u> brief submitted on behalf of United Artists Corporation.

District Judge Pierce, to whom this action was reassigned following the retirement of Judge Bauman, is reproduced at A158-159.

Substantially all of the material facts in this case were made the subject of an extensive pretrial Stipulation of Facts (A4-36), the terms of which are succinctly summarized in Judge Bauman's opinion at A131-135. A reasonably accurate restatement of the agreed facts appears at pages 5 through 9 of Appellants' Brief, so that there is no necessity for them to be repeated herein.

ARGUMENT

POINT I — THE DISTRICT COURT PROPERLY DETERMINED THAT APPELLANTS' TELEVISION EXHIBITIONS OF THE DERIVATIVE MOTION PICTURE INFRINGED THE RENEWAL COPYRIGHT IN THE BOOK ON WHICH IT HAD BEEN BASED.

while in the strictest possible sense this was, as appellants assert (Br. p. 9), a case of "first impression", its determination was dictated by long established principles governing renewal copyrights under §24 of the 1909 Act and copyrights in derivative works copyrightable under §7 thereof. That a renewal copyright is a "new estate" and that, where the author himself has died, his statutory successors take that estate unencumbered by any grants or licenses made by the author during his lifetime, is hardly a novel proposition. Similarly, the fact that a §7 derivative copyright does not "affect the force or validity" of the subsisting copyright in the work on

which it is based, is a conclusion which the statutory language mandates and the cases have uniformly recognized. It was by simple application of these basic principles that the District Court arrived at its decision in this case — a decision which, as the <u>amicus</u> brief of United Artists Corporation discloses (see p. 19-21, <u>infra</u>), is itself entirely consistent with longstanding "industry practice".

A. Renewal Copyright Creates a "New Estate" Which Vests in a Deceased Author's Statutory Successors Free and Clear of All Encumbrances Created by the Author During His Lifetime.

The concept of a renewal copyright as being a "new estate", rather than a continuation or extension of the original term, finds its judicial roots in <u>Pierpont</u> v. <u>Fowles</u>, 19 Fed. Cas. 652, 660 (C.C. Mass. 1846), decided under the 1831 Act. That concept was first reaffirmed under the 1909 Act in <u>White-Smith</u> <u>Music Publishing Co. v. Goff</u>, 187 F. 247 (1st Cir. 1911), and was adopted by this Court in <u>Silverman</u> v. <u>Sunrise Pictures</u>, 273 F. 909, 911 (2nd Cir. 1921). Although the precise holding in

^{2.} The following expression of contemporary legislative intent with respect to the renewal term of copyright appears in H.R. 2222, 60th Cong. 2nd Sess. 14 (1909):

[&]quot;Your committee, after full consideration, decided that it was distinctly to the advantage of the author to preserve the renewal period. It not infrequently happens that the author sells his copyright outright to a publisher for a comparatively small sum. If the work proves to be a great success, and lives beyond the term of twenty-eight years, your committee felt that it should be the exclusive right of the author to retain the renewal term, and the law should be framed as is the existing law, so that he could not be deprived of that right."

Goff was overruled in Fred Fisher Music Co. v. M. Witmark & Sons, 318 U.S. 643 (1943) and that in Silverman was overturned in Fox Film Corp. v. Knowles, 261 U.S. 326 (1923), the "new estate" concept survived unscathed by those rulings. While the law now is that this "new estate" may be alienated by an author prior to the accrual of the renewal right, provided he survives the first twenty-seven years of the original term, in those cases where the author predeceases the accrual of the renewal right his (or her) statutory successors take the "new estate" unqualifiedly free and clear of all licenses or grants made by the author during his lifetime.

Miller Music Corp. v. Charles N. Daniels Inc., 362 U.S. 373 (1960).

Appellants, throughout their brief, incorrectly refer to this "new estate" as a right of "recapture" or as a "reversion" — e.g. Br. pp. 11, 20. This is egregious error, not a mere matter of memantics. Unlike §203 of the proposed Copyright Revision Bill which truly contemplates a "recapture" or "reversion", §24 of the existing Act requires affirmative action — i.e. a second registration during the twenty-eighth year of the original term — before the "new estate" of renewal may be acquired, failing which all copyright protection lapses upon the expiration of the original term. Moreover, §24 of the present Act contains its own

^{3.} For this reason, the House Patents Committee estimated in 1907 that under the predecessor to the 1909 Act only 5% of copyrights were renewed (H.R. Rep. No. 7083, 59th Cong. 2d Sess. at 14 [1907]). By 1954, notwithstanding the encouragement provided by §24 (originally §23) of the 1909 Act and the judicial construction thereof, copyright was renewed in less than 10% of the works eligible for renewal. Guinan, Duration of Copyright (Study No. 30) in "United States Copyright Office, Copyright Law Revision Studies 29-31" at 57, 82.

exceptions which are four in number 4 and to add a fifth and further exception for derivative works copyrightable under §7, as appellants suggest, calls for legislative, rather than judicial, action.

engaging in any such judicial legislation. Instead, it quite properly posited its decision (handed down a full nine months following the conclusion of the trial) on the previously expressed views of the leading experts in the copyright field and, in the absence of a case squarely in point, on precedents which had dealt with highly analogous situations, such as Fitch v. Shubert, 20 F. Supp. 314 (S.D.N.Y. 1937) and this Court's ruling in G. Ricordi & Co. v. Paramount Pictures Inc., 189 F.2d 469 (2nd Cir.) Cert. den. 342 U.S. 849 (1951).

Thus, that Court referred (A 136) to Seymour Bricker's article, "Renewal and Extension of Copyright", 29 So. Cal. L. Rev. 23

^{4.} The proprietor of the original term of copyright, and not the author or his statutory successors, is entitled to renewal:

[&]quot;***in the case of any posthumous work or of any periodical, cyclopedic, or other composite work upon which the copyright was originally secured by the proprietor thereof, or of any work copyrighted by a corporate body (otherwise than as assignee or licensee of the individual author) or by an employer for whom such work is made for hire***".

The full text of §24, as well as that of §7 of the 1909 Act and §203 of the Proposed Copyright Revision Bill, appears on Appendix "A".

(1955), where the author had stated (at p. 43):

"If a motion picture company buys from an author all rights in a novel, it may validly copyright the motion picture photoplay in its own name and renew this copyright at the appropriate time. But if the author dies prior to the time for renewal of the basic work, the widow may renew that copyright [or the daughter, as in the instant case] and thus deprive the company of any right to continue to release the photoplay during the renewal term of the basic work. . "5

Particular reliance was placed by the District Court on the views expressed by Melville Nimmer, whom the Court characterized as "the leading text writer in this field" (A 136). In 2 Nimmer on Copyright §118 (1975) "the precise question" raised by this case is dealt with in the following fashion:

"A motion picture producer whose rights in the 'underlying' work terminate at the expiration of the original term may not thereafter make additional 'prints' of the film, nor may he reproduce a new motion picture based upon the same work. Both of such acts would constitute unauthorized copying. A more difficult question is whether the mere exhibition in theatres or on television of previously created film prints constitutes an infringement of copyright in the underlying work. It would seem that such conduct would constitute an infringement of either the right to make copies, the right to make other versions, the right to dramatize a non-dramatic work, or the right to perform a 'transcription or record' of a non-dramatic literary work."

^{5.} Mr. Bricker is among those who, on behalf of the motion picture industry, have lobbied most strongly before Congress for statutory relief from this very rule which he and other industry counsel have long recognized. See "United States Copyright Office, Copyright Law Revision Part 2, Discussion and Comments on Report of the Register of Copyrights on the General Revision of the Copyright Law (1963)" at p. 265. See also the remarks of Joseph Dubin, counsel to Universal Pictures, at pp. 280-281, and the submission of the Copyright Committee of the Motion Picture Association of America Inc. at pp. 360-363.

In 1961, Barbara Ringer, the now current Register of Copyrights, prepared a searching study for the Judiciary Committee of the Senate (86th Cong. 2nd Sess.) entitled Renewal of Copyright (Study No. 31) in "United States Copyright Office, Copyright Law Revision Studies 29-31" 109. At page 169 of that study, Ms. Ringer made the following finding:

"It would seem, on the basis of judicial authority, legislative history, and the opinions of the commentators, that someone cannot avoid his obligations to the owner of the renewal of copyright merely because he created and copyrighted a 'new version' under a license or assignment which terminated at the end of the first term."

The judicial precedents for these statements of qualified experts have uniformly been Fitch v. Shubert, supra (where District Judge Patterson had stated that the next of kin of a deceased author who had renewed the copyright in a play had thereby "acquire[d] a new and independent right in the copyright, free and clear of any rights, interests or licenses attaching to the copyright for the initial term" [p. 215]), and G. Ricordi & Co. v. Paramount Pictures Inc., supra. Concededly, the quoted language from Fitch — pertinent as it may be for present purposes — is dictum, since the Court in that case proceeded to find that the alleged infringing use had been licensed by the holder of the

^{6.} The Court in Fitch also went on to say (20 F. Supp. at p. 315):

[&]quot;It is evident therefore that all rights which the defendants acquired in 1925 to use the <u>Fitch</u> play as the basis of a musical operetta expired when the copyright for the original term expired in 1928 and when a new grantee appeared as owner of the <u>Fitch</u> play for the renewal term."

renewal copyright. But <u>Ricordi</u> cannot be so readily disposed of. That case, it will be recalled, involved the question of whether the copyright proprietor of the derivative opera "Madame Butterfly" (plaintiff Ricordi) was free to make a motion picture thereof, utilizing the novel on which that opera had been based, where the copyright in the underlying work had been renewed and no grant from the proprietor of the renewal copyright had been obtained.

In answering that question in the negative, this Court said (189 F.2d at 471):

". . .Plaintiff has acquired no rights under Long's renewal of the copyright in his novel and the plaintiff's renewal copyright of the opera gives it rights only in the new matter which it added to the novel and play. It follows that the plaintiff is not entitled to make use of the novel for a motion picture version of Long's copyrighted story; it must be restricted to what was copyrightable as new matter in its operatic version."

Appellants would limit the application of <u>Ricordi</u> to what they denominate as "second generation derivative works", 7 and emphasize that this Court did not, in so many words, bar

^{7.} The statement made in footnote 23 (Br. p. 30), without record citation of any kind, to the effect that the exhibitions herein involved may not be so classified because prints of the subject motion picture made available by appellant Killiam reproduce "the 1926 original exactly", is simply not true. Those infringing performances took place through the use of a new medium video tape specially made for that purpose (A 10), were accompanied by newly incorporated music, and utilized a number of newly created subtitles. In other words, the motion picture as exhibited by these appellants was itself a "new version" of the 1926 original. cf. Gilliam v. American Broadcasting Companies Inc.,-F.2d-(2nd Cir. 1976) discussed, infra, at p. 15-16.

further performances of the opera itself during the renewal term of copyright in the underlying novel (Br. p. 26). Naturally, it would have been highly inappropriate for this Court to have so held, in the absence of any party having standing to raise that issue. However, the above quoted language from the Ricordi opinion leads, it is submitted, to the inference that that is precisely the result at which this Court arrived.

Thus, <u>Ricordi</u> presaged, and indeed mandated, the conclusion of the District Court in the case at bar. Unless that conclusion is in some way negated by appellants' theory of the "independence" of the copyright in a derivative work copyrightable under section 7 of the Act, a subject next to be dealt with, it was in all respects right and proper and should be affirmed by this Court.

B. The Copyright in a Derivative Work Copyrightable Under §7 Does Not "Affect the Force or Validity" of the Renewal Copyright in the Work from Which it Was Derived.

Appellants postulate the theory that the copyright in a derivative motion picture contemplated by section 7 of the

^{8.} See Curtis "Protecting Authors in Copyright Transfers: Revision Bill §203 and the Alternatives" Copyright Law Symposium No. 21, 165 at 176 n.50 (ASCAP 1974), also appearing in 72 Columbia L. Rev. 799 (1972), hereinafter referred to as Curtis. What accommodation, if any, was reached by Long's statutory successors and Ricordi, looking toward the continued use of the opera itself, following this Court's decision, is a matter of speculation.

Copyright Act vests the proprietor thereof with rights superior to those enjoyed by a statutory successor to the renewal copyright in the book on which that motion picture was based, at least to the extent that the derivative motion picture, having been blessed with the consent of the original term copyright holder, may continue to be exploited without the consent of the holder of the renewal copyright (Br. pp. 14-19). This result is said to follow because the section 7 copyright in a derivative "new work" is "independent" of the rights conferred by the renewal of the underlying copyright. Consequently, once the consent of the proprietor of the original term of copyright in the underlying work has been obtained, appellants contend that no further consent from the owner of the renewal term is required at any time for the continued use of the separately copyrighted derivative work. 9

While conceding, as indeed they must, that the section 7 copyright in a derivative work extends only to the "new matter" incorporated therein (<u>Davis v. E. I. Dupont de Nemours & Co.</u>, 240 F. Supp. 612, 627 [S.D.N.Y. 1965]), appellants argue (Br. pp. 14-15) that by its very nature a motion picture is such a peculiar genus

^{9.} Of course, such an argument disregards the express language of section 7 itself to the effect that the copyright in the derivative work "shall not affect the force or validity of any subsisting copyright" in the underlying work.

If appellants' contention were sustained, a publisher who with the author's consent had made and copyrighted a translation of a copyrighted book — hence creating a derivative work — would be in a position of being able to reprint and exploit the translation during the renewal term of copyright in that book but because of the author' death during the original term of copyright, would have no right to reprint and exploit the book in its original version. No such anomalous situation was, it is submitted, contemplated by section 7.

of the species of derivative works that it must be accorded immunity from the restrictions which are applicable to all other section 7 copyrights. Because the "new matter" in a motion picture is not susceptible of "separation***from whatever was borrowed from the underlying work" (Br. p. 15), 10 the renewal copyright holder must, appellants assert, forego the exclusive right to dramatize the underlying work vested in him by section 1(b) of the Act.

The only reported decision which, in a somewhat related context, appears to support appellants' theory of the "independence" of the section 7 copyright in a derivative motion picture is the California case of <u>Sunset Securities Inc. v. Coward McCann Inc.</u>, 297 P. (2d) 137 (Dist. Ct. of Appeals 2nd Dist. 1956), the facts of which are outlined in the opinion below (A 137). That decision, however, was unanimously reversed by the California Supreme Court in an opinion which, although it relied primarily on contract construction, "clearly rejected" (A 137) the reasoning of the lower

^{10.} The statement at footnote 10 (Br. p. 14) to the effect that the borrowing from the novel was in this case "as little as 5%", is an inaccurate representation of the Magistrate's Report on the subsequent damage hearing which actually found that the novel on which it was based contributed only 5% to the ultimate commercial success of the motion picture. Indeed, it was stipulated (A 7) that:

[&]quot;13. The Photoplay embodies incidents portrayed in the Work, utilizes the characters created by the Author appearing in and acting out sequences from the Work, and was and is a dramatic version of the Work in motion picture form."

In any event, the quantum of borrowing by the infringing work and the contributions of others to its commercial success are irrelevant for present purposes and go not to the question of infringement, but only to the question of the damages that may be recovered for that infringement. Sheldon v. Metro-Goldwyn Pictures Corp., 309 U.S. 390 (1940).

court. Id. 47 Cal. (2d) 907, 306 P. (2d) 777 (1957). The fact is that neither the language of section 7 itself, nor the cases cited in this portion of their brief, lend any credence to the novel theory which appellants would have this Court adopt.

Champney v. Haag, 121 F. 944 (C.C.E.D. Pa. 1903) which appellants employ as the "take off" point for their theorizing as to the scope and nature of the "independence" of a separately copyrighted derivative work (Br. p. 15), is actually of minor, if any, significance for present purposes. To the extent that it intimates that the copyright in a derivative work is capable of being infringed, it was correctly decided. In fact, it is possible for such an infringement to take place even where the infringer has been licensed by the holder of the copyright in the underlying work. Davis v. E. I. Dupont de Nemours & Co., supra, (240 F. Supp. 612). But if, as appellants appear to do, Champney be construed as a holding that an infringement of the copyright in a derivative work may not at the same time involve an infringement of the copyright in the underlying work, it patently was wrongly decided. Wihtol v. Crow, 309 F. (2d) 777 (8th Cir. 1962). Indeed, a copying of the derivative work, even where the derivative work itself is in the public domain, may be sufficient to constitute an infringement of the subsisting copyright in the underlying work. Grove Press Inc. v. Greenleaf Publishing Co., 247 F. Supp. 518 (E.D.N.Y. 1965).

Similarly, appellants' strong reliance on Edmonds v. Stern, 248 F. 897 (2nd Cir. 1918) as an authority for the proposition that the copyright in an authorized derivative work enjoys such "independence" of the copyright in the underlying work as to permit its continued use without the consent of the owner of the renewal copyright therein (Br. pp. 16-18) is misplaced. All that case stands for is that an assignment of the copyright in an underlying work does not, in and of itself, carry with it an assignment of the copyright in a derivative work, and that, where the derivative work has been produced with the consent of the proprietor of the copyright in the underlying work, its use during the original term of copyright in the underlying work, does not infringe that copyright. Edmonds, however, did not in any way concern a renewal copyright in the underlying work; if it had perhaps such a decision, one way or the other, might have had a relevance which the actual decision itself does not.

In short, there is no judicial authority whatever for appellants' theory. On the other hand, that theory is completely demolished by this Court's recent decision in <u>Gilliam v. American Broadcasting Companies Inc.</u> - F.2d - (2nd Cir. June 30, 1976) Slip Opinion p. 4551, et seq. holding that a "mutilation" of a copyrighted derivative work, originally made with the consent of the copyright proprietor in the underlying work, may itself infringe the copyright in the underlying work. Judge Lumbard there appropriately pointed

out (at p. 4559):

"However, section 7 limits the copyright protection of the derivative work, as works adapted from previously existing scripts have become known, to the novel additions made to the underlying work, Reyher v. Children's Television Workshop - F.2d - (2d Cir. 1976), and the derivative work does not affect the 'force or validity' of the copyright in the matter from which it is derived. See Grove Press Inc. v. Greenleaf Publishing Co., 247 F. Supp. 518 (S.D.N.Y. 1965)."

Moreover, in the case at bar the "consent" required by section 7 as a condition to the continued exploitation of the derivative work terminated of necessity simultaneously with the expiration of the original term of copyright in the underlying work. Regardless of the provisions of paragraph THIRD of the Hull-Moskowitz agreement (A 17a), Edith M. Hull had no power to consent to the continued use of the derivative work during the renewal term of copyright in her book, when she died prior to the accrual of the right to renew, and renewal of the copyright was taken out by and in the name of her daughter, appellee Cecil W. Hull. Miller Music Corp. v. Charles N. Daniels, Inc., supra, (362 U.S. 373). If, therefore, as appellants concede, "a derivative work copyright obtained pursuant to section 7***is only as good as the consent on which it is based" (Br. p. 12), the absence in this case of any consent from the owner of the renewal copyright in the underlying work results in making continued use of the derivative work during the renewal term an act of infringement.

C. Neither Purported Policy Considerations, Nor the Provisions of §203 of the Proposed Copyright Revision Bill, May Properly be Invoked in This Case.

Approximately ten pages of appellants' brief (Br. pp. 33-42) are devoted to hypothesizing policy considerations which they believe militate against the conclusion of the District Court in this case. It would be possible for appellees to postulate an equal number of countervailing policy considerations - not the least of which is the fact that appellant Killiam's predecessors availed themselves of all but seven months and eight days of the original twenty-eight year term of copyright in this underlying work, and never made any separate payment for rights under the renewal copyright therein. But it is now too late in the day for either party to address such arguments to this Court. The Supreme Court foreclosed that possibility in Miller Music Corp. v. Charles N. Daniels, Inc., supra (362 U.S. 373) when, under far more compelling circumstances than are present here, it unequivocally refused to "refashion §24 [of the Act] to suit other policy considerations" (at p. 376). Indeed, Mr. Justice Douglas concluded his opinion in that case with these words:

"We have said enough, however, to indicate that there is symmetry and logic in the design of §24. Whether it works at times an injustice is a matter for Congress, not for us. (at p. 378) [Emphasis added].

For well over a decade Congress has been addressing itself to a complete overhaul of the Copyright Act of 1909. Among the many changes contemplated by the Copyright Revision Bill currently before the House (having passed the Senate on February 19, 1976) is a provision inserted in proposed §203, in "response to complaints by motion picture producers" (Curtis, supra, note 8 at p. 201), which would accord derivative works the treatment for which appellants contend in this case (Br. p. 44). But, as the Court below was quick to recognize (A 138), while that provision may be "an admirable statement of what the law should be, it is scarcely persuasive of what the law is."

The pending Copyright Revision Bill, as its name connotes, contemplates, among other things, the jettisoning of §24 of the present Act, and does away with the entire concept of renewal copyrights. See <u>Curtis</u>, <u>supra</u>, note 8 at pp. 196-212. As appellants themselves point out (Br. pp. 42-44), an entirely new statutory scheme will replace the one which has been in effect since 1909, and some of the most radical changes it will produce are those contained in the proposed §203. Under that section "recapture" and "reversion", as those terms are used with such frequency in appellants' brief, will indeed become a possibility, except in the case of "derivative works" which, due to the successful lobbying efforts of the motion picture industry, are to be accorded a favored status which they never previously enjoyed.

It is this Court's pronouncement that reference to the proposed Copyright Revision Bill may be properly resorted to only where "the result which the proposed legislation would compel is not precluded in any way by the decisions rendered under the

Inc., 425 F.2d 397, 403 (2nd Cir. 1970). The drastic alteration in existing law which §203 is designed to accomplish, overturning as it will not merely Fitch and Ricordi, but substantially every case decided under §24 of the present Copyright Act, precludes reliance on that section of the Copyright Revision Bill as a basis for reversal of the District Court's determination in this case.

D. The Amicus Brief Proves Only
That the Decision Below Was
in Accordance With Established
"Industry Practice".

With the consent of all parties, an <u>amicus</u> brief has been submitted on behalf of United Artists Corporation, a leading factor in the motion picture industry, so that it might "bring before the Court an analysis of legal arguments, industrial practices and economic and policy considerations which might otherwise be overlooked by the parties" (Am. Br. p. 2). Yet, all of the legal arguments contained in the <u>amicus</u> brief have been fully anticipated by appellants, even to the point of citing the identical cases and the advancing of similar policy considerations. Since those arguments have heretofore been dealt with in detail, no separate response to the <u>amicus</u> brief is required.

It is only in the area of "industrial practices" that the <u>amicus</u> has made a significant contribution. In this respect, the <u>amicus</u> brief acknowledges that the motion picture industry has operated, since long prior to the institution of this action, in a

fashion which assumes the decision of the District Court to be correct (Am. Br. pp. 26-27). In situations analogous to the one at bar, the <u>amicus</u> concedes "it has become the practice of the motion picture industry" (Id.) to withdraw a motion picture from distribution, pending the making of suitable licensing arrangements with the proprietor of the renewal copyright in the underlying work on which the motion picture was based. There is no evidence in this record that such a license was not readily available to these appellants. All that is reflected is persistent refusals to recognize the renewal copyright holder (A 24-26), continuing to the point where two of the three infringing performances occurred during the very pendency of this action and over strenuous written protest (A 27-28).

Finally, the <u>amicus</u> brief is featured by a vicious <u>ad</u>

hominem attack upon appellee Rohauer and one Sheldon Abend,

not a party to this action, based on material <u>de hors</u> this record,
and designed for the ostensible purpose of prejudicing this Court
against appellees on grounds having nothing to do with the merits
of this action (Am. Br. pp. 22-26). This is not the proper function

^{11.} See also the material referred to in note 5 at p. 8, supra.

^{12.} Strange as it may seem, the very same Mr. Abend whom it characterizes as an "irresponsible speculator" (Am. Br. pp. 5, 25), has for many years been retained by <u>amicus</u>, United Artists Corporation, for the very purpose of securing "clearances" for its older pictures from renewal copyright holders in the works on which they were based.

of an amicus. Cf. Moffat Tunnel Improvement Dist. v. Denver & S.L. Ry Co., 45 F.2d 715, 755 (10th Cir. 1930). It is respectfully submitted that this portion of that brief should be summarily disregarded as it so richly deserves to be.

POINT II — THE DISTRICT COURT
PROPERLY HELD APPELLANTS' DEFENSE
OF UNCLEAN HANDS TO BE WITHOUT MERIT.

A wide variety of affirmative defenses were asserted by appellants in the court below, all of which were found to be without merit by the District Court (A 143-151). One of those defenses — the equitable doctrine of "unclean hands" — is now urged as a basis for reversal (Br. pp. 46-59).

It was conceded in the Stipulation of Facts that "prior to 1965" appellee Rohauer had exhibited, or caused to be exhibited, for theatrical and non-theatrical purposes, positive prints of the subject motion picture which he had purchased, without restriction as to use, from Emil Jensen, the President of Art Cinema Associates Inc., the then copyright proprietor of the motion picture (A 12). This conduct, occurring as it did with the consent of the copyright owner of the motion picture, harmed no one other than the co-appellee, Cecil W. Hull. Appellants now attempt to embroider upon that concession and, by joining it with a highly slanted version of the trial testimony, 13 to paint a picture of a

^{13.} Much of that trial testimony (A 79-80; 83-85) and all of the appellants' trial exhibits (A 39-46) related to conduct on the part of appellee Rohauer claimed to have taken place in England. As the District Court pointed out (A 150-151), under the British Copyright Act a complete "reversion" of motion picture rights in the novel took place in 1968, and the subsequent conduct of appellee Rohauer in licensing performances of the motion picture in Great Britain was authorized by, and within the scope of, his assignment of rights from appellee Cecil W. Hull (A 22-23), and accordingly was completely justified.

widespread campaign to invade appellant Killiam's copyright in the motion picture.

Having succeeded in convincing the District Court that defendant Paul Killiam should have no personal liability in this action because he was not the <u>alter ego</u> of appellant Killiam Shows, Inc. (A 139-141), appellants now attempt to avail themselves of alleged infringements of the rights of Gregstan Enterprises Inc. taking place during the 1961-1965 period, because both Gregstan and Killiam "were companies principally owned by Paul Killiam" (Br. pp. 47, 53). All this is sought to be accomplished, moreover, without any showing that an assignment of causes of action for <u>past</u> infringement was incorporated in the 1968 transfer from Gregstan to Killiam, or for that matter in the 1961 transfer from Art Cinema Associates Inc. to Gregstan itself (A 31-36) and more significantly in the absence of any evidence of objection of any kind having been asserted by Killiam, let alone a resort by it to its obvious legal remedies.

The defense of "unclean hands" in copyright cases, as

Nimmer has pointed out, "is recognized only rarely, when the

plaintiff's transgression is of serious proportions and relates

directly to the subject matter of the infringement action."

2 Nimmer, supra, \$149.2. In other words, the misconduct of the

plaintiff, in order to justify a defense of "unclean hands", must

infect the cause of action itself so that to entertain it would

be violative of good conscience, and it will not suffice that the

wrongdoing, if any, is remotely or indirectly connected with the matter in controversy. Leo Feist Inc. v. Young, 138 F.2d 972 (7th Cir. 1943). That case, in turn, relied upon Bentley v. Tibbals, 223 F. 247 (2nd Cir. 1915), where the plaintiff had admitted that importation of his English publications had taken place in violation of the Copyright Act, but where, not-withstanding that fact, this Court had said (at p. 252):

"It is not sufficient to debar a suitor for relief that he has committed an unlawful act, unless that unlawful act affects the matter in litigation. The offense which Bentley committed in wrongfully importing the work was not a wrong done to this defendant, or one which in any wise prejudiced him. It was an offense committed against the United States, and one of which it alone could take cognizance."

In very much the same sense, the inequitable conduct with which appellants charge appellee Rohauer was a collateral offense committed against his co-appellee Hull, of which she alone would be entitled to complain. The test to be applied, insofar as these appellants are concerned, is that enunciated in the design patent case of <u>Jacoby-Bender Inc.</u> v. <u>Jacques Kreisler Manufacturing Corp.</u>, 287 F. Supp. 134 (S.D.N.Y. 1968). There the Court indicated (at p. 135) that inquiry should be directed to:

[&]quot;. . .whether plaintiff is attempting to charge defendant with liability for some act in which plaintiff itself participated or because of which plaintiff is at fault as well as defendant. If he is, it would be inequitable to grant him relief. If he is not, and if plaintiff's offenses are merely collateral, plaintiff may still recover for defendant's wrongs, for the fact that plaintiff himself may have sinned in some other connection does not make him an outlaw, deprived of all legal rights."

T. B. Harms, Frances Day & Hunter v. Stern, 231 F. 645 (2nd Cir. 1916), on which appellants rely (Br. p. 51), is one of the few cases in which the defense of "unclean hands" has been upheld under the 1909 Act, as well as one which clearly meets the foregoing test. There, Sigmund Romberg, the well-known composer, had been contractually obligated to assign the copyright in a musical composition to the defendant, but had breached his contract by assigning it to plaintiff. When plaintiff thereafter brought suit against defendant for copyright infringement of this very composition, this Court, ascribing its assignor's inequitable conduct to his assignee, quite properly sustained a defense of "unclean hands". That case might have application to the instant one had appellants acquired their infringing motion picture from or through appellees; on the facts disclosed by this record, it obviously has none.

Finally, the rule adopted in patent cases to the effect that the defense of "unclean hands" can no longer be invoked "once it is determined that the improper practice had been abandoned and its consequences dissipated" (Park-In Theatres v. Paramount-Richards Theatres, 81 F. Supp. 466 [D.C. Del. 1948]; Hoaque-Spraque Corporation v. Bird & Son, 91 F. Supp. 159 [D.C. Mass. 1950]; Q-Tips Inc. v. Johnson & Johnson, 108 F. Supp. 845 [D.C. N.J. 1952], aff'd 206 F.2d 144 [3rd Cir. 1953], cert. den. 346 U.S. 867 [1953]; Eastern Venetian Blind Co. v. Acme Steel Co., 188 F.2d 247 [4th Cir. 1951]) is equally applicable in the copyright area. In the

case at bar whatever inequitable conduct appellee Rohauer may have engaged in prior to May of 1965 when he acquired his rights from appellee Hull had long since ceased when this action was instituted in 1971. And, as the District Court found (A 156 note 8), appellee Hull has certainly been guilty of no impropriety which would permit any such defense to be asserted as against her.

In that portion of its opinion which dealt with this defense, the District Court found "nothing in plaintiffs' behavior so egregious as to warrant a dismissal based on the dubious doctrine of unclean hands" (A 147; A 155 note 7). That finding, it is respectfully submitted, was not so "clearly erroneous" within the meaning of Rule 52 of the Federal Rules of Civil Procedure as to warrant reversal in this case. Indeed, on the basis of the authorities discussed above, it was manifestly right.

POINT III — THE DISTRICT COURT PROPERLY HELD THAT THE JUDGMENT IN THE IOWA ACTION WAS NOT RES JUDICATA IN THE NEW YORK ACTION.

This action, which was commenced on September 22, 1971, alleged that the televising by appellants of the subject motion picture on July 13, 1971 constituted an infringement of the renewal copyright in the book upon which it had been based. Two subsequent telecasts took place on October 11 and 16, 1971, and by stipulation the complaint in this action was deemed amended and supplemented to include these additional alleged infringing

showings (A 11). During 1972 and 1973, while this action was awaiting trial, the four additional actions referred to in footnote 52 at page 59 of appellants' brief were instituted.

Far from engaging in "unnecessarily litigious conduct" (Br. p. 68), appellees brought those actions to halt the running of the Statute of Limitations, since the institution of this action had not had any effect in deterring appellant Killiam from continuing its infringing conduct in other jurisdictions, and also to avoid the reassertion of claims of "abandonment" and "estoppel" such as had been made in this case (A 143-145).

The two actions brought in the District Court of the District of Columbia were stayed, pending the disposition of this action, and have since been settled and discontinued. The action in the District Court for the Central District of California was likewise stayed, and further proceedings are awaiting the outcome of this appeal. Only in the action brought in the District Court for the Southern District of Iowa (Rohauer v. Eastin-Phelan Corp. No. 72-25-D) was a stay refused (see infra pp. 29-30). That action which involved the leasing and sale of positive prints of the alleged infringing motion picture for home and other non-theatrical uses, was actively litigated by the defendant. Ultimately, that action was abruptly terminated by a judgment dismissing the action pursuant to Rule 37(d) of the Federal Rules on account of appellee Rohauer's failure to appear for the conclusion of his deposition in Iowa (A 47-53). That ruling was summarily affirmed by the Court

of Appeals for the Eighth Circuit on June 12, 1974 (499 F.2d 120). 14 Although the trial of the New York action had terminated more than seven months previously, it was then still <u>sub judice</u>. Accordingly, appellant Killiam made a post-trial motion to dismiss on the ground that the judgment in the Iowa action was <u>res judicata</u>. Shortly after the making of that motion the District Court decided this case in favor of appellees and in the course of its opinion denied the post-trial motion (A 151-154). Such denial is now made a further ground for appeal.

The leading case of recent vintage on the subject of res judicata is Lawlor v. National Screen Service Corp., 349 U.S. 322 (1955), where the Supreme Court said (at p. 326):

"[U] nder the doctrine of res judicata a judgment 'on the merits' in a prior suit involving the same parties or their privies bars a second suit based on the same cause of action."

Thus, there are three basic requirements that must be met before a judgment in one action becomes <u>res judicata</u> in a second action. First, the prior judgment must be one "on the merits"; second, the prior suit must have been between "the same parties or their privies"; third, the judgment obtained in the

^{14.} Because the opinion of District Judge Stuart and the per curiam of the Eighth Circuit had portrayed him in such an unfavorable light, appellee Rohauer submitted an affidavit verified July 1, 1974 in opposition to the post-trial motion, which is part of the record on this appeal. In that affidavit he pointed out, among other things, that his failure to appear for the conclusion of his deposition in Iowa was not wilful or contumacious, but was attributable solely to a lack of communication between him and local Iowa counsel.

first action must have been "based on the same cause of action" as the one involved in the action where that defense is pleaded. There can no longer be any question that the first of these requirements has been met in the instant case. Nasser v. Isthmian Lines, 331 F.2d 124 (2nd Cir. 1964). On the other hand, there is a substantial question as to whether, on this record, the second of such requirements has been satisfied. But there can be no doubt that the third of such requirements is here completely lacking.

That the doctrine of res judicata is inapplicable "where the two actions are not based upon the same transaction" (Restatement of Judgments §61[c]) is too clearly established to necessitate lengthy discussion. 1B Moore's Federal Practice §0.410[l] (pointing out that where the causes of action are not the same it is the related doctrine of collateral estoppel which takes over [Id. at p. 153]). The mere fact that "[b]oth suits involved 'essentially the same eause of wrongful conduct' is not decisive." Lawlor v. National Screen Service Corp., supra, at p. 327. Thus, Nickerson v. Kutschera A.G., 295 F. Supp. 1 (D.C. Del. 1969), reversed on

^{15.} The lucid exposition by District Judge Mansfield in Herbert Rosenthal Jewelry Corp. v. Zale Corp., 323 F. Supp. 1234 (S.D.N.Y. 1971) of when parties may be deemed to be "privies" for res judicata purposes poses problems for appellants which this record does not adequately answer. Cf. Switzer Brothers v. Chicago Cardboard Co., 252 F.2d 407 (7th Cir. 1958). It is submitted that appellants' effort in footnote 55 (Br. p. 63) to distinguish Rosenthal as a guide in this case falls far short of the mark.

other grounds 419 F.2d 983 (3rd Cir. 1969), involved a series of actions for patent infringement in the first of which a decision had been made by the Sixth Circuit that "the patent claims were invalid for want of invention, and if they were valid, they were not infringed." Holding in a subsequent infringement action brought by the same patentee that the earlier determination was not res judicata, as distinguished from having effect as a collateral estoppel, the District Court pointed out (at p. 4):

"Plaintiff's right in each case is claimed to have been invaded by different acts of wrongdoing by different defendants. The causes of action are different." [Emphasis added].

In the very same sense the cause of action in the Iowa case and the causes of action in this case "are different".

Although both actions involved a common question of law, the facts giving rise to the respective claims for relief varied as to time, place, parties and method of alleged infringement to such an extent as to make them distinct and dissimilar. Perhaps, it was for this reason that the District Judge in the Iowa case, in explaining his reasons for refusing to stay that action pending the determination

^{16.} Even in Nasser this Court recognized that the earlier judgment did not operate to foreclose a subsequent action seeking recovery from the same defendant for injuries sustained in a later unrelated accident (331 F.2d at p. 126). Of course, Nasser itself is a classic case of res judicata and, except for its holding that a dismissal under Rule 37(d) is a judgment "on the merits", has no bearing on the instant one. As the District Court pointed out (A 157 note 14), Nasser would dictate that any attempt to relitigate in this forum the acts of infringement that were the subject of the Iowa action would be barred by the Iowa judgment. It would not, however, bar suit on subsequent acts of infringement by the same defendant, even in Iowa.

of this one, stated that he had done so "because it appeared the New York case would have no binding effect upon the parties to this case" (A 48).

Appellants rely principally on three decisions to sustain their claim that the District Court in this case erroneously refused to grant their post-trial motion for dismissal on res judicata grounds. These decisions are Siegel v. National Periodical Publications Inc., 508 F.2d 909 (2nd Cir. 1974) [Br. pp. 64-65]; Vanderveer v. Erie Malleable Iron Co., 238 F.2d 510 (3rd Cir.) cert. den. 353 U.S. 937 (1956) [Br. pp. 65-66]; and Switzer Brothers v. Chicago Cardboard Co., 252 F.2d 407 (7th Cir. 1958) [Br. p. 67]. The latter two of these cases, it appears from careful reading, went off primarily on collateral estoppel grounds. Thus, in Vanderveer, supra, a Pennsylvania state court had held in an action to recover royalties under a license agreement that the defendant's products "were not covered by and did not infringe plaintiff's patent." In a subsequent Federal court action for infringement involving the same parties, Circuit Judge Maris, while on occasion using the words res judicata,

^{17.} At the time that he denied the stay by order dated November 1, 1972 the same Judge had said:

[&]quot;Defendant would not be bound by the results of the U.S. District Court for the Southern District of New York decision. The Court is not inclined to stay proceedings when the result in the other pending case would not necessarily dispose of this matter." [Emphasis added].

a doctrine of which collateral estoppel is a part, grounded his decision on the following argument:

"***a finding by a state court in a suit for royalties under a license agreement that the licensee's product was not within the claims of the patent <u>must be given the effect of collateral estoppel</u> in a subsequent infringement suit between the same parties in the federal court to the extent of precluding assertion by the patent owner that the same product infringes the claims of the same patent. The fact of noninfringement must be taken as conclusively established." (at p. 514) [Emphasis added].

These are words of collateral estoppel, rather than classic res judicata, and were cited as such in Nickerson, supra (at p. 4). Similarly, Switzer Brothers, supra, was a case where a determination by a Federal court in Ohio that certain parties were indispensable parties plaintiff to an action for patent infringement was held to be binding on a Federal court in Illinois in a subsequent infringement action where that precise issue was presented again. The court there said (at p. 411):

"We see no reason to burden this opinion with an analysis or discussion of the decision of the Ohio court, a reading of which undeniably discloses that each and every issue raised here was considered and decided adversely to plaintiffs." [Emphasis added].

Of course, no issue was "considered and decided" by the Iowa court other than the application of sanctions under Rule 37(d), and consequently no question of collateral estoppel is here presented. Appellants concede this to be true (Br. p. 64, footnote 58),

^{18. &}lt;u>Switzer Brothers</u> was decided at a time when dismissal for failure to join indispensable parties was still a judgment on the merits under Rule 41(b).

and accordingly their reliance on <u>Vanderveer</u> and <u>Switzer Brothers</u> is misplaced. Therefore, the only relevant decision to which appellants have directed attention is <u>Siegel</u>, <u>supra</u>, where although the parties themselves had used the terms <u>res judicata</u> and collateral estoppel "interchangeably", this Court clearly stated that it was basing its conclusion on <u>res judicata</u> grounds (508 F.2d at 913 note 1). <u>Siegel</u> is, however, readily distinguishable from the case at bar.

In that case the plaintiffs, the creators of the hugely successful cartoon character "Superman", had brought an action in the New York Supreme Court, Westchester County, against the publisher of comic books featuring that character for a declaration of the rights of the parties in the Superman character. That suit resulted in a judgment declaring that by contract plaintiffs had conveyed "all rights" in the character to defendant in perpetuity. Some years later, plaintiffs instituted an action in the Federal court against defendant seeking a declaration as to the ownership of renewal copyrights in the cartoons which had utilized the Superman character. This Court affirmed the determination of the District Court that the Westchester County Supreme Court judgment was res judicata on that issue, 19 saying:

^{19.} At the same time this Court reversed the District Court's finding that the earlier judgment had also determined conclusively that plaintiffs had been "employees for hire", since that issue had not been directly passed on by the state court (508 F.2d at 914).

"Since we hold that the state judgment action determined that defendant owned all of the rights to the Superman strip, without reservation, the doctrine of res judicata is properly applicable." (at p. 913 note 1).

This Court's holding in <u>Siegel</u> in no way controls this case. The two actions there involved were between the same parties, and the cause of action that was the subject of the state court judgment necessarily encompassed the cause of action being asserted in the Federal court. Moreover, the issue litigated in the state court action determined for all time defendant's ownership of "all rights" in the Superman character, thereby precluding further litigation as to ownership of renewal copyrights therein, whereas in the case at bar the Iowa judgment determined nothing but that the sanctions there being sought had been properly imposed. Indeed, <u>Siegel</u> emphasizes the flaws in appellant's contention that the doctrine of <u>res judicata</u> is applicable here, and demonstrates the validity of the District Court's denial of appellants' post-trial motion for dismissal on that ground.

CONCLUSION

THE JUDGMENT APPEALED FROM SHOULD BE IN ALL RESPECTS AFFIRMED, WITH COSTS, INCLUDING REASONABLE COUNSEL FEES.

Respectfully submitted,

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Of counsel

APPENDIX A

Text of Relevant Statutes

17 U.S.C. §7:

"Copyright on compilations of works in public domain or of copyrighted works; subsisting copyrights not affected

Compilations or abridgments, adaptations, arrangements, dramatizations, or other versions of works in the public domain or of copyrighted works when produced with the consent of the proprietor of the copyright in such works, or works republished with new matter, shall be regarded as new works subject to copyright under the provisions of this title; but the publication of any such new works shall not affect the force or validity of any subsisting copyright upon the matter employed or any part thereof, or be construed to imply an exclusive right to such use of the original works, or to secure or extend copyright in such original works."

17 U.S.C. §24:

"Duration; renewal and extension

The copyright secured by this title shall endure for twenty-eight years from the date of first publication, whether the copyrighted work bears the author's true name or is published anonymously or under an assumed name: Provided, That in the case of any posthumous work or of any periodical, cyclopedic, or other composite work upon which the copyright was original secured by the proprietor thereof, or of any work copyrighted by a corporate body (otherwise than as assignee or licensee of the individual author) or by an employer for whom such work is made for hire, the proprietor of such copyright shall be entitled to a renewal and extension of the copyright in such work for the further term of twenty-eight years when application for such renewal and extension shall have been made to the copyright office and duly registered therein within one year prior to the expiration of the original

term of copyright: And provided further, That in the case of any other copyrighted work, including a contribution by an individual author to a periodical or to a cyclopedic or other composite work, the author of such work, if still living, or the widow, widower, or children of the author, if the author be not living, or if such author, widow, widower, or children be not living, then the author's executors, or in the absence of a will, his next of kin shall be entitled to a renewal and extension of the copyright in such work for a further term of twenty-eight years when application for such renewal and extension shall have been made to the copyright office and duly registered therein within one year prior to the expiration of the original term of copyright: And provided further, That in default of the registration of such application for renewal and extension, the copyright in any work shall determine at the expiration of twenty-eight years from first publication."

Copyright Revision Bill §203 (S. 22, 94th Cong. 1st Sess.):

"Termination of transfers and licenses granted by the author

- (a) Conditions for Termination.—In the case of any work other than a work made for hire, the exclusive or nonexclusive grant of a transfer or license of copyright or of any right under a copyright, executed by the author on or after January 1, 1977, otherwise than by will, is subject to termination under the following conditions:
- (1) In the case of a grant executed by one author, termination of the grant may be effected by that author or, if he is dead, by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one half of that author's termination interest. In the case of a grant executed by two or more authors of a joint work, termination of the grant may be effected by a majority of the authors who executed it; if any of such authors is dead, his termination interest may be exercised as a unit by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one half of his interest.

(2) Where an author is dead, his or her termination interest is owned, and may be exercised, by his widow (or her widower) and children or grandchildren as follows: The widow (or widower) owns (A) the author's entire termination interest unless there are any surviving children or grandchildren of the author, in which case the widow (or widower) owns one half of the author's interest; (B) The author's surviving children, and the surviving children of any dead child of the author, own the author's entire termination interest unless there is a widow (or widower), in which case the ownership of one half of the author's interest is divided among them; The rights of the author's children and grandchildren are in all cases divided among them and exercised on a per stirpes basis according to the number of his children represented; the share of the children of a dead child in a termination interest can be exercised only by the action of a majority of them. (3) Termination of the grant may be effected at any time during a period of five years beginning at the end of thirty-five years from the date of execution of the grant; or, if the grant covers the right of publication of the work, the period begins at the end of thirty-five years from the date of publication of the work under the grant or at the end of forty years from the date of execution of the grant, whichever term ends earlier. (4) The termination shall be effected by serving an advance notice in writing, signed by the number and proportion of owners of termination interests required under clauses (1) and (2) of this subsection, or by their duly authorized agents, upon the grantee or his successor in title. (A) The notice shall state the effective date of the termination, which shall fall within the five-year period specified by clause (3) of this subsection, and the notice shall be served not less than two or more than -36ten years before that date. A copy of the notice shall be recorded in the Copyright Office before the effective date of termination, as a condition to its taking effect.

- (B) The notice shall comply, in form, content, and manner of service, with requirements that the Register of Copyrights shall prescribe by regulation.
- (5) Termination of the grant ray be affected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.
- (b) Effect of Termination.—Upon the effective date of termination, all rights under this title that were covered by the terminated grant revert to the author, authors, and other persons owning termination interests under clauses (1) and (2) of subsection (a), including those owners who did not join in signing the notice of termination under clause (4) of subsection (a) but, with the following limitations:
- (1) A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant."

* * * * * * * *

2 Copies received 8/9/76 Obrigham M. Fuss, Eymor